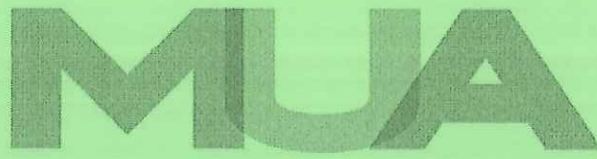


The  
Management  
University  
of Africa



Sponsored by the Kenya Institute of Management

---

UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

**BMT 302: ECONOMIC DEVELOPMENT**

**DATE: 31<sup>ST</sup> JULY 2018**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**



## QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

## BODA BODA TRANSPORT DEVELOPMENT IN KENYA

**Vital.** About 4.8 million people depend on motorcycles for their livelihood.

# Boda boda men pocket Sh219 billion in a year

Earnings from fast-rising sector are Sh7 billion more than profit juggernaut Safaricom's total revenues for last year.

By Dominic Omondi  
dakure@standardmedia.co.ke

The boda boda industry is emerging as one of the biggest drivers of the economy, with operators generating Sh219 billion in revenue last year.

Going by the latest industry figures, it means the operators of the popular mode of transport collectively made more than East Africa's most profitable company, Safaricom, which had total revenues of Sh212 billion in the 2016/17 financial year.

According to figures released by the Motorcycle Assemblers Association of Kenya (MAAK) yesterday, there are about 600,000 commercial motorcycles on Kenyan roads, with each making, on average, Sh1,000 a day.

This translates to Sh600 million a day and Sh219 billion annually.

MAAK Chairman Isaac Kalua said about eight people depended on each motorcy-

## The numbers

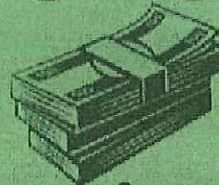
**600,000**

■ No. of commercial motorbikes in operation in the country.



**Sh600m**

■ Amount of money made everyday by boda boda operators.



**Sh1,000**

■ The amount each boda boda rider makes daily on average.



**146,000**

■ No. of motorcycles imported into the country in 2016.



cle in operation for their daily livelihood.

In total, Mr Kalua said, about 4.8 million people depend on motorcycles.

"Until there is a solution to mass transport, there shall continue to be a need," said Kalua who also doubles up as the chairman of Honda Motorcycles Kenya Ltd, when the firm unveiled a new oil from Japan's JXTG in Nairobi.

Traffic jams in major urban centres such as Nairobi and poor infrastructure in rural areas have made motorcycles the preferred mode of transport over short distances for many Kenyans.

Besides helping people beat traffic, motorbikes have become critical in the delivery of supplies and parcels for both homes and businesses.

Most companies with

operations in Nairobi have invested in motorbikes.

This has seen millions of young people ditch farming and sell their land and livestock or invest their savings in the boda boda business, giving rise to a thriving industry.

In 2016, about 146,000 motorcycles worth Sh8.2 billion were imported, down from 182,000 motorcycles worth Sh10.7 billion brought in a year earlier.

## Traffic menace

Virtually, all the motorbikes that get into the country are from China (50 per cent) and India (48 per cent).

But there has been a downside to the exponential growth of the boda boda business.

Besides moving resources from such critical sectors of the economy as agriculture, motorcycles have created a traffic menace, especially in urban centres.

Recently, Nairobi Governor Mike Sonko ordered that all boda boda operators vacate the central business district, with a City Hall official describing boda boda operators as 'rogues' who did not respect traffic rules.



**Required:**

- a) The development in this sector has come quick and in a big way. Explain five main challenges that the country faces with this rapid development. **(10 marks)**
- b) Suggest strategies which the stakeholders (Govt, Investors & Public) can adopt to deal with above challenges. **(10 marks)**
- c) All new products/services follow an established life cycle path (introduction, growth, plateau, decline); which stage do you think the Boda Boda product has reached, in the Kenyan economy? And how can it be re-energized to ensure improved/increased capital formation that our economy badly needs for future development. **(5 marks)**

**QUESTION TWO**

- a) Identify any six assumptions upon which the Harrod-Domar model is based. **(3 marks)**
- b) Outline six principles of World Trade Organization (WTO) trading system. **(12 marks)**

**QUESTION THREE**

- a) Identify eight reasons why countries adopt restrictions to international trade. **(4 marks)**
- b) Define poverty **(2 marks)**
- c) Show the indicators of poverty **(2 marks)**
- d) Identify four means by which the needs brought about by poverty may be satisfied. **(2 marks)**
- e) Outline the goals of welfare programmes and indicate any challenges. **(5 marks)**

**QUESTION FOUR**

Kenya is an agricultural economy, and so Kenyans are vastly aware of the many market challenges therein:-

- a) State three short-run farm problems, and identify their causes. (10 marks)
- b) Examine three long-run problems, and offer some policy prescription for dealing with them. (5 marks)

**QUESTION FIVE**

- a) Theorists of the 1950s and early 1960s viewed the process of Development as a sequence of historical stages; notable among them was Rostow (1960). Discuss his model and show its key weaknesses. (10 marks)
- b) Explain why you think Kenya needs/does not need IMF today. (5 marks)

**QUESTION SIX**

- a) i) Identify four indicators of Economic Development. (2 marks)
- b) ii) State three approaches to the measurement of National Income. (3 marks)
- c) Briefly explain why an inflationary economy may lag behind in development. (3 marks)
- d) Briefly explain with use of the formula, what the Human Development Index (HDI) can/cannot do. (3 marks)
- e) Comment on Kenya's current Public Debt burden. (4 marks)